

Memorandum

To: BCFGAs Members
From: Glen Lucas, General Manager
Date: November 22, 2021
Re: **An Evolving Business Model**



Introduction

The purpose of this document is to establish an outline for a new business model for the BCFGAs that responds to the fundamental pressures and changes in the industry, with the aim of supporting our vision:

*A Prosperous, Sustainable, Innovative Tree Fruit Sector in BC
that grows products that improve health*

In order to achieve this ideal state, the business model identifies alternatives for BCFGAs operations. In turn, BCFGAs will rely on the new business model to develop detailed *annual business plans, budgets and longer term strategies*.

The value that BCFGAs creates, on its way to achieving the vision, is the basis of its business model. For the BCFGAs, this is a split universe:

1. Value is provided directly to individual members, through services or products that are provided at no charge or for a reduced fee. The benefits arising from these efforts are specific to BCFGAs members, as non-members cannot participate in or receive these benefits.
2. Value is provided indirectly to members, through advocating for industry-wide improvements and services. Examples include participation on the BCMAFF Production Insurance Industry Advisory Committee and on the Sterile Insect Release Program. BCFGAs has also lobbied to establish program funding and government resources that would not otherwise be provided to the industry. The BCFGAs administers programs that would not otherwise be provided to the industry. The benefits arising from these efforts are not specific to BCFGAs members, as non-BCFGAs-members benefit as well.

The balance between *member-specific and generic benefits* will vary over time, and this document is intended to signal a *re-alignment* of the general and member-specific priorities of the BCFGAs.

A Changing Business Environment for the BCFGGA

The BCFGGA business model reflects our business environment, the trends in the industry and government, and our relationships with other organizations. Challenges (perhaps opportunities) in choosing a business model are recent changes, including:

- A less collaborative approach on program administration (ie. BCFGGA and other industry organizations have opted out of program administration, such as BCFGGA's administration of the Tree Fruit Competitiveness Fund and the BC Agriculture Council's administration of the Environmental Farm Plans Program).
- Tense relations with the provincial government during times of grower financial stress and the added stress of the pandemic, heat waves, forest fires, and now (for the provincial government) floods.
- The increasing disconnect between the public and the agriculture sector, and the consequent reduced effectiveness of usual Public Relations (PR) activities and impacts on government policy (an example of this change from outside of the tree fruit sector is the recent animal welfare activism aimed at the livestock sector).
- Changes in industry governance at certain organizations (e.g. BCTFC and NVDC).
- The challenges for a growing cherry sector (e.g. labour, pest management) and the improvements needed to halt the decline in the apple sector (e.g. trade, marketing).
- The changing BCFGGA relationship with packers (e.g. an overall equalization of BCFGGA relationship with all packers compared to the traditional industry and BCFGGA reliance on BC Tree Fruit Cooperative as the dominant player).

The business environment is not all challenges and hurdles. For example,

Cherry and apple exports to Asia provide premium prices and exports are growing.

The public is more cognizant of food security and the value of BC agricultural production.

The recent Tree fruit Stabilization Report presents an opportunity for new programs and resources directed to help growers, as well as new ways to remove regulatory

impediments to grow the tree fruit sector. New relationships between industry organizations will emerge.

The business model will not by itself resolve issues or create opportunities, but it will prepare a path for the BCFGAs as an organization to tackle issues and seize on opportunities.

Previous versions of this document have been reviewed as follows:

- Review and discussion at an October 18, 2021 Member Services Committee meeting,
- A presentation and review of the Business Model concepts for member input at November 9 and 10 Regional Meetings,
- Review and Approval at October - December, 2021 Board of Directors meetings.
- A future member poll on BCFGAs direction.

In recent decades, changes have been evolutionary, but several significant changes in the industry call for a new BCFGAs business model.

Now is the time for action and to formalize the new business model.

Imperative / Urgency

The BCFGAs business model has, in the past, changed gradually and incrementally. For example, as participation rates declined from 90% to 70%, BCFGAs brought more focus to the value of membership or offered services exclusively to its members.

Value to a Member - examples \$/yr	Exclusive Service - examples
Standard Services <ul style="list-style-type: none"> - Magazine subscriptions (~\$75) - Spray schedule (~\$10) Optional Services <ul style="list-style-type: none"> - PAC points recording (~\$35) - EFP Incentive (\$250) - Bursaries (avg. \$7/yr) 	Optional Exclusive Services <ul style="list-style-type: none"> - LMIA assistance (at a low fee, but only for members). ~\$500 - Food Safety and Pesticide Handler certification - recording. ~\$150 - Labour orientation and safety training. ~\$150

The gradual move to value membership and exclusive services is now imperative and accelerated. One of many motivations to speed up the process was the BCTFC serving notice to end the agreement that all BCTFC members be BCFGAs members (“mandatory membership”). The participation rate in BCFGAs, once as high as 90% and is currently

60-70%. A lower participation rate places a growing cost on members for the pursuit of general benefits (e.g. improving production insurance, lobbying for replant), as non-members get the benefit without the cost. Other organizations have focused their efforts on benefits directly to members and this is a comparative advantage for some other organizations. However, all organizations pursue some 'general benefit' activity, it is a matter of balance between the member-exclusive and general-benefit activity.

As BCTFC coop membership is expected to continue to decline, the BCTFC notice to drop mandatory BCTFC membership in BCFGA was a 'wake up call' about the change in direction needed. **One of the new principles for the BCFGA is to place more effort into exclusive member benefits and less into generic programs.**

Underlying these changes are enormous financial pressure on apple growers, ascendancy of and risks to cherry revenue, decline of apple acreage and the BCTFC.

The BCFGA needs to adapt to the current and foreseeable business environment to deliver on the vision. The adaptation that is recommended is a business model that focuses more on benefits that are exclusive for BCFGA members, and de-emphasizes working on industry-wide benefits for both members and non members of the BCFGA.

Types of Exclusive Value for Members

- A service that is offered only to BCFGA members An example is the assistance BCFGA provides to complete LMIA applications for Temporary Foreign Workers: only members are assisted. While private consultants can assist with LMIA's, BCFGA offers a low price for the service is approximately 10 to 25% of the cost of similar open market services.
- Information is more restricted to BCFGA members. In the past year or so, the BCFGA stopped publishing our newsletter on the website, and directed interested people to the BCFGA membership form. The BCFGA is also exercising more discretion in circulating the newsletter to its 'extended list' which includes staff of other industry organizations, media, and politicians. Another area of exclusive access which could continue is the value of BCFGA involvement in pan agriculture initiatives, such as labour (recent and future labour information sessions will be for BCFGA members only).
- A new approach is the exclusive agreement with some agricultural service providers to offer a discount to BCFGA members. The discount would be a discount from the lowest price offered by the service to other, non-BCFGA growers. The service provider would gain access to a large group of potential customers and the service would be promoted by the BCFGA. Two types of

services have emerged: Horticultural extension and a consulting service on farm worker housing and municipal bylaws. Local experts with experience and proven track records would provide the services. The services would be demand-driven by growers, and would be managed independently of the BCFGA.

The alternatives to an exclusive BCFGA discount service are:

- Internal: hire staff to conduct the service. Since local consultants value their independence, outsiders without experience would likely need to be hired, and would be an unacceptable risk.
- Owned but independently operated, similar to SVC. The start-up risk for the independently-managed service is likely to be unacceptably high.
- A jointly owned operation, between the BCFGA and an existing service provider. In discussions, existing service providers view this option as a 'take-over' or potential for take over, and so are not interested in pursuing this option.

Therefore, **the exclusive-discount / independent service is a new principle** of the BCFGA business model that will receive more attention and resources than previously.

Incentive Programs

The BCFGA EFP Incentive Program is launched and is generating initial interest. The other incentive programs approved by the Board of Directors will be launched over the coming months. A new principle of the BCFGA business model is to **introduce member-specific incentive programs that will encourage members to participate in provincial-federal programs that provide further resources to members.**

Fee Structure

The other side of the coin of BCFGA membership services are membership fees. The current fee structure has been in place for about 20 years. The acreage-based fee confuses growers, as it is a formula-based fee. Monitoring of acreage is not viable. A simplified structure is a tiered fee, where the fee charged is related to the size of the farm. Some organizations (Chambers of Commerce) charge fees based on the additional services for each tier.

A tiered fee for grower (full) membership is a new principle feature of the new BCFGA business model. The BCFGA Board approved a new tiered fee structure for implementation in 2021, which will result in an overall 12% savings.

BCFGA Fee Schedule 2022			
Acreage Range		Old fee avg	New fee step
from	to		
0	5	215	230
5	10	285	250
10	20	432	375
20	50	790	650
50	100	1,468	1,000
100	250	3,272	1,500
250	1000	0	3,000

Information Technology

It is important that BCFGAs streamline their database and on-line presence. **The new BCFGAs business model is based on the rapid adoption of new information technology** - to enhance access to BCFGAs incentive programs and to ease joining the BCFGAs.

Membership Discounts for Packinghouses (BCTFC and independent)

The BCFGAs could offer the following for handling the collection of BCFGAs fees:

1. A payment of 3 percent for collecting BCFGAs fees through the packinghouse grower account system.
2. A BCFGAs membership discount of 5% for mandatory association membership of all tree fruit shippers to the packinghouse. *
3. A discount of 5% for packinghouse business associate membership in the BCFGAs and courtesy of BCFGAs presentations at 2 packinghouse meetings of their shippers, annually.

* requires collection of fees through the grower account system. If a grower has a fundamental objection to BCFGAs membership, or the BCFGAs wishes to terminate an individual growers membership, then the equivalent membership fee should still be paid by the grower and directed to a mutually acceptable, non-competing organization such as the BCAC.

If all current members of the BCFGAs qualified for these packinghouse discounts, the membership income would decline from about \$300,000 to \$270,000, net of a gain in business associate memberships. Without mandatory membership, the membership income would decline from \$300,000 to \$285,000. An equivalent amount to the funding reduction could be provided by dividends of SVC or the BCFGAs Research and Development Orchard.

The BCFGAs Board approved of the proposed discounts to packinghouse members and packinghouse business associate fees, when tied to services provided by the packinghouse to the BCFGAs.

Staff Roles for the Evolving Direction of the BCFGAs

The business model described above will refocus the BCFGAs on *delivering programs* that benefit its members, while retaining some support for the advocacy for and development of government programs - mainly through memberships in BCAC, CHC and CFA.

A need is identified for a new staff role that will be responsible for:

1. tracking project application deadlines to programs
2. preparation of project funding applications
3. Monitoring project progress, ensuring information collection is recorded
4. Reporting, and preparing reports for funding agencies
5. Recording and tracking project expenditure and income
6. Preparing project financial reports
7. Writing project interim and final reports, in collaboration with staff and contractors undertaking project activities
8. Coordinating project expenditure, income and cash flow assessment with the BCFGAs Accountant

The creation of a Project Manager position was recommended by the BCFGAs Member Services Committee and approved at a November 4 Board meeting.

Conclusion

A new trajectory for the BCFGAs is planned. The work will include negotiating agreements with:

- Packinghouses
- SVC (dividend contribution)
- Exclusive-discount service providers

Other priorities of the new business model are:

- A search for a new staff position
- Replacement of the membership database with an online system (program and app)
- Launch of approved incentive programs for BCFGAs members
- Consideration of a new member fee structure by Member Services for Board approval.

The new business model is approved in principle by the BCFGAs Board of Directors, to give direction and authority to start work, and as a living document to receive the input of BCFGAs members.